

Message Text

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11

ACTION NEA-10

INFO OCT-01 AF-04 EUR-12 EA-06 ISO-00 OMB-01 PM-03 NSC-05

SP-02 SS-15 RSC-01 L-02 EB-07 COME-00 CIEP-01 AID-05

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 9367

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL DHAHRAN

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIR

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY ROME

AMEMBASSY SANAA

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L JIDDA 6916

E.O. 11652: GDS

TAGS: EFIM, EAID, SA, EG, US

SUBJECT: EGYPTIAN PLANS FOR USE OF SAUDI MONEY

REF: CAIRO 9343

SUMMARY: EGYPT'S PRIME MINISTER RECEIVED LITTLE IN
THE WAY OF ECONOMIC AID FROM SAUDI ARABIA DURING HIS
RECENT VISIT. NO BUDGETARY SUPPORT WAS PLEDGED AND
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NO CONCESSIONAL OIL SUPPLY. SOME PROJECT AID WAS

AGREED TO AND FULL MILITARY AID WAS PLEDGED. EGYPTIAN NOMINEES TO HEAD THE VACANT CENTRAL BANKING POST IN THE KINGDOM WILL NOT BE CONSIDERED ACCORDING TO GOOD SOURCES. END SUMMARY.

1. EGYPTIAN PRIME MINISTER HEGAZI WAS IN SAUDI ARABIA FROM NOV 19 TO NOV 21. HE PRESENTED THE SAUDIS WITH A LARGE NUMBER OF REQUESTS FOR FINANCIAL ASSISTANCE, ALL OF WHICH WERE REJECTED EXCEPT THOSE FOR SPECIFIC INDUSTRIALIZATION PROJECTS. REFTEL GAVE FBIS REPORT OF JOINT STATEMENT ISSUED UPON HIS DEPARTURE.

2. ACCORDING TO FUAD NAZER, SAUDI AMBASSADOR TO EGYPT WHO ACCOMPANIED HEGAZI TO RIYADH, AND ALI ALIREZA, AN OLD FRIEND OF THE KING WHO SAID HE HAD JUST SPOKEN TO HIM ABOUT THE SUBJECT, THE HEGAZI TRIP TO RIYADH DID NOT MEET THE EGYPTIAN EXPECTATIONS IN ANY SIGNIFICANT WAY. THE FIRST EGYPTIAN REQUEST WAS FOR THE SAUDIS TO COVER THEIR BUDGETARY DEFICIT OF SOME \$600 MILLION. THE SAUDIS REFUSED CATEGORICALLY. THE SECOND REQUEST WAS TO SUPPLY EGYPT WITH 15 MILLION TONS OF OIL. THE SAUDIS SAID THEY WOULD BE HAPPY TO SELL THIS QUANTITY TO EGYPT. THE EGYPTIANS ASKED FOR \$100 MILLION FOR LOW-COST HOUSING PROJECTS. THE SAUDIS REFUSED, SAYING THERE WAS A PRESSING HOUSING NEED IN SAUDI ARABIA WHICH COULD NOT BE MET FOR LACK OF CONTRACTORS; THE SAUDI PEOPLE WOULD NOT UNDERSTAND HOW \$100 MILLION COULD BE GIVEN TO EGYPT FOR HOUSES THAT VERY LIKELY WOULD BE BUILT QUIRE RAPIDLY WHILE IT COULD NOT PROVIDE ADEQUATE HOUSING FOR ITS OWN PEOPLE.

3. THE EGYPTIAN PRIME MINISTER ALSO GAVE THE KING NAMES OF TWO EGYPTIANS AS PROSPECTIVE HEAD OF THE SAUDI ARABIAN MONETARY AGENCY (REPLACING ANWAR ALI WHO DIED TWO WEEKS AGO). ONE WAS ZAKI SAAD, DEPUTY GOVERNOR OF THE IBRD, AND THE OTHER WAS A FORMER ECONOMIC MINISTER UNDER NASSER, KAISSOUNI. ALI ALIREZA SAID HE DIS-

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CUSSED THE MATTER WITH THE KING AND SAID THAT BOTH MEN WERE OF LIMITED ABILITY; ONE ONLY HAD TO LOOK AT THE STATE OF THE EGYPTIAN ECONOMY UNDER NASSER TO JUDGE THEIR QUALIFICATIONS. FURTHERMORE, THE DIRECTOR OF SAMA WOULD PARTICIPATE IN ALL IMPORTANT DECISIONS IN THE KINGDOM AND THEY WOULD HAVE TO BE VERY CAREFUL ABOUT ANY DISCUSSIONS WHICH THEY WOULD KNOW WOULD

BE PASSED IMMEDIATELY TO CAIRO.

4. THE CONSENSUS SEEMS TO BE DEVELOPING THAT THE NEW DIRECTOR SHOULD BE A SAUDI - ALTHOUGH THE NAMES OF THREE WESTERNERS, AND AMERICAN, A BRITISH AND A SWISS, HAVE BEEN RAISED AS POSSIBILITIES - BUT THAT HE COULD HAVE SEVERAL DEPUTIES WHO MIGHT BE NON-SAUDI. THE CONSENSUS IS THAT KHALID AL QUSAYBI, THE ACTING GOVERNOR, IS NOT YET CAPABLE OF HANDLING THE JOB. HISHAM NAZIR, PRESENTLY MINISTER OF STATE FOR PLANNING HAS RECENTLY BEEN MENTIONED AS A PRIME CANDIDATE.

5. THE EGYPTIAN REQUEST FOR MILITARY ASSISTANCE WAS MET WITH A FAR KINDER FATE AND ALTHOUGH NEITHER MAN GAVE ANY FIGURES THEY SAID THE KING HAS ASSURED EGYPTI THAT IT WOULD GET ITS FULL SUPPORT IN THE CASE OF ANOTHER MIDDLE EASTERN WAR AND THAT "SUBSTANTIAL" SUMS WOULD BE PROVIDED TO EGYPT FOR BUYING WAR MATERIEL NOW.
AKINS

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